

**THOMPSON SPECIAL SERVICE DISTRICT**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**THOMPSON SPECIAL SERVICE DISTRICT**  
**(A COMPONENT UNIT OF GRAND COUNTY)**  
**TABLE OF CONTENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**

	<u>PAGE</u>
<b><u>OPINION</u></b> Accountants' Compilation Report	1
<b><u>MD&amp;A</u></b> Management Discussion and Analysis	2-8
 <b><u>BASIC FINANCIAL STATEMENTS</u></b>	
 <b>Government-Wide Financial Statements:</b>	
EXHIBIT A      Statement of Net Assets - Proprietary Funds	9-10
EXHIBIT B      Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	11
EXHIBIT C      Statement of Cash Flows - Proprietary Funds	12
Notes to Financial Statements	13-21

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ACCOUNTANTS' COMPILATION REPORT

Board of Trustees  
Thompson Special Service District  
Thompson, Utah 84540

We have compiled the accompanying financial statements of the business-type activities of Thompson Special Service District as of and for the year ended December 31, 2005, which comprise the District's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The Management's Discussion and Analysis, as listed in the financial section of the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

SMUIN, RICH & MARSING



Price, Utah

March 30, 2006

**THOMPSON SPECIAL SERVICE DISTRICT  
(A COMPONENT UNIT OF GRAND COUNTY)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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Our discussion and analysis of Thompson Special Service District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2005. All of the financial activity results from "business-type" activities.

**FINANCIAL HIGHLIGHTS**

- ❖ Total revenues from business activities were \$39,759 in 2005 compared to \$28,006 in 2004, an increase of 41.9% in business revenue. (The most significant increase - charges for services.)
- ❖ Total business expenses were \$33,832 in 2005 compared to \$41,332 in 2004. A decrease of 18.1% from the previous year. (The most significant decrease - attorney fees.)
- ❖ Non-operational revenues and expenses to the district were as follows:
  - a. Grant from the Community Impact Board was \$38,515. These funds are being used to pay for a culinary water improvement project.
  - b. Interest earned in 2005 totaled \$2,140 compared to 2004 total of \$1,195. The increase was mainly due to a higher average cash balance.
  - c. Net assets during 2005 increased by \$42,344 as compared to \$103,962 in 2004. Change in net assets is detailed in the Net Asset Report of the District's Key Financial Reports.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The financial reports: Statement of Net Assets; Statement of Revenues, Expenses and Changes in Fund Net Assets; and Statement of Cash Flows, comprise pages 9-12. Standard and acceptable accounting practices are followed in preparation of these reports. The purpose of the financial reports is to identify revenues and expenses resulting from business activities. The net income or (loss) from operations, adjusted for depreciation, identifies the performance of the District. Certain key financial ratios taken from the Statement of Net Assets help identify financial strength and liquidity. Since the District is operated as an enterprise fund, there are no fund statements presented because all operations of the District are reported using the accrual method of accounting.

**REPORTING THE DISTRICT BUSINESS OPERATIONS**

Our analysis of the District as a whole begins on page 9. The key financial reports provide the accounting from which reports herein are created. The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Fund Net Assets summarize the District's business operations for the year and provide a basis for assessing financial strengths and weaknesses. From these reports, trends are monitored and budgets are prepared for future months. These reports are prepared using the accrual accounting method, which is similar to the accounting methods used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or payment made. (Note: The detailed Compilation Report is available for review at the Thompson Special Service District Office.)

## REPORTING THE DISTRICT BUSINESS OPERATIONS (Continued)

In the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets, the District shows all of the activities in one fund.

- ❖ Business-type activities – The District charges customers for their individual usage of water. The charges are considered to cover most of the cost of providing these services. The District also has a water load-out facility that adds to the operational revenue. Utah Department of Transportation makes an annual payment to the District for water services provided to State rest areas and maintenance shed.

## REPORTING THE DISTRICT'S SIGNIFICANT FUND

The District has only one fund, which accounts for the activity of the District. The entity-wide financial statements, which begin on page 9, provide detailed information about the operations of the District as a whole. The District's only fund is operated as an enterprise fund. Enterprise funds are reported using an accrual accounting method, which records expenses when they are incurred and records revenues when they are earned. The District does not have any governmental type funds.

## THE DISTRICT AS A TRUSTEE

The District does not hold any funds or property in a trustee capacity.

## THE DISTRICT'S KEY FINANCIAL REPORTS

### NET ASSET REPORT

<u>ASSETS</u>	BUSINESS-TYPE ACTIVITIES 2004	BUSINESS-TYPE ACTIVITIES 2005
Current and other assets	\$ 78,601	\$ 75,194
Capital assets	477,479	510,999
Total assets	<u>\$ 556,080</u>	<u>\$ 586,193</u>

## THE DISTRICT'S KEY FINANCIAL REPORTS (continued)

### NET ASSET REPORT (continued)

	BUSINESS-TYPE ACTIVITIES 2004	BUSINESS-TYPE ACTIVITIES 2005
<b><u>LIABILITIES</u></b>		
Current liabilities	\$ 13,495	\$ 3,206
Noncurrent liabilities	72,706	70,764
Total liabilities	<u>\$ 86,201</u>	<u>\$ 73,970</u>
<b><u>NET ASSETS</u></b>		
Invested in capital assets, net of debt	\$ 282,506	\$ 438,293
Restricted - Debt and customer deposits	8,560	8,450
Unrestricted	<u>178,813</u>	<u>65,480</u>
Total net assets	<u>\$ 469,879</u>	<u>\$ 512,223</u>

Net Assets of the District are \$512,223. *Unrestricted* net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – are \$65,480. These net assets are used to finance the continuing operations of providing services to the water users.

A key financial ratio - the Current Ratio - is calculated by dividing current assets by current liabilities. This ratio is an indicator of liquidity and ability to pay current operational bills. The ratio for the year ending December 31, 2005 is 23.4. The ratio for the year ending December 31, 2004 was 5.83. The District's high ratio indicates a strong liquidity position.

# CHANGES IN NET ASSETS

	BUSINESS-TYPE ACTIVITIES 2004	BUSINESS-TYPE ACTIVITIES 2005
<b>REVENUES</b>		
Program revenues:		
Charges for services	\$ 27,095	\$ 36,084
Contributions/other	911	3,675
General revenues:		
Grants - restricted	120,433	38,515
Other general revenues	1,195	2,140
Total revenues	\$ 149,634	\$ 80,414
<b>EXPENSES</b>		
Program expenses:		
Administrative fees and fringe	\$ 10,796	\$ 10,537
Professional fees	10,523	4,005
Materials and supplies	4,931	4,609
Utilities	1,399	938
Insurance	1,402	2,435
Depreciation	10,714	10,714
Interest expense	4,340	4,238
Other	1,567	594
Total expenses	\$ 45,672	\$ 38,070
Change in net assets	\$ 103,962	\$ 42,344
Net assets - beginning	\$ 365,917	\$ 469,879
Net assets - ending	469,879	512,223
Change in net assets	\$ 103,962	\$ 42,344

The District's operational goal for future years is to continue to strive to run the District's operations from charges for services and minimal other governmental funds. We realize that increasing profitability will come in the form of increasing rates, but we will need other governmental assistance for upgrades and/or improvements.

## CASH SOURCES AND USES

### CASH SOURCES AND USES:

Beginning cash balance as of January 1, 2005	\$ 65,718
Change in net assets	\$ 42,344
Depreciation (source of cash)	10,714
Accounts receivable increase (use of cash)	(1,607)
Fixed asset purchases increase (use of cash)	(54,444)
Accounts payable decrease (source of cash)	10,210
Accrued liabilities decrease (use of cash)	(87)
Customer deposits payable decrease (use of cash)	(100)
Principal payment on debt decrease (use of cash)	(1,834)
Total change in net assets	\$ 5,196
Ending cash balance as of December 31, 2005	\$ 70,914

Use of all funds are controlled and authorized by the district's Board of Trustees. The Board of Trustees has delegated the day-to-day operations to a District manager. The manager follows the spending limits and budgets as approved by the Board of Trustees. The Board of Trustees approves all major capital expenditures. The Board approves an annual operational budget and forwards it to the County Council and also submits copies of the budget to the State Auditor as required by Utah State law.

### BUSINESS ACTIVITIES AND PURPOSES

Revenues for the District are generated by providing water to those who reside within the District's service area. This is the only source of operating revenue that is received by the District. The District has in the current calendar year received funds from the Community Impact Board to aid in the Culinary Water Improvement project. The culinary water improvement was needed to keep our water system working effectively and keep repair costs manageable. The objective of the District is to provide the necessary water services mentioned, independently (not dependent), of other organizations. Additional funds have been needed in past years to cover unexpected expenses, but the Board of Trustees has made the necessary changes needed to accomplish their goals and purposes.



## DEBT MANAGEMENT

As of December 31, 2005, the District had \$72,706 in a loan from United States Department of Agriculture Rural Development. This debt was entered into by the Board in 1988, for the improvements on the water facility. More detailed information about the District's long-term liabilities is presented in note 4, page 20 in the footnotes to the financial statements.

## BUDGETARY HIGHLIGHTS

The 2005 budget was adopted for the current year on December 14, 2004. Since the District operates as an enterprise fund, it is only required to comply with the budget on an entity wide basis. The budget amount was set at \$ 34,277. The actual expenditures amounted to \$33,832. The budget was under spent by \$445.

## CAPITAL ASSETS

As of December 31, 2005, the District had net capital assets of \$510,999. The District is in the process of making improvements to the Culinary Water System, but the project was not finished as of December 31, 2005. This District has spent in the current calendar year \$44,234, which is reported as Work in Progress. No other capital asset additions have been made in the current year. Future budgets will account for anticipated equipment purchases. The budget for 2005 does estimate or anticipate capital expenditures. The following table shows the balance of capital assets as of December 31, 2005 and 2004, net of depreciation.

**Capital Assets at Year-end  
(Net of Depreciation)  
2004 and 2005**

	<b>Business - Type Activities</b>	
	<b>2004</b>	<b>2005</b>
Land	\$ 15,000	\$ 15,000
Buildings	6,900	6,600
Furniture and equipment	3,104	2,690
Waterline and improvements	332,042	322,042
Work in progress	120,433	164,667
Net capital assets	<u>\$ 477,479</u>	<u>\$ 510,999</u>

The District's major addition was the Culinary Improvement project - \$44,234 for the current year. Major capital expenditures are included in the 2006 budget to complete the culinary improvement project and to find another source of water.

## **ECONOMIC FORECAST AND FUTURE BUDGET**

The District continues to implemented changes as recommended in the facilities plan. Revenues from business activity for 2006 have been budgeted at \$31,009. Expenses are budgeted at \$32,409. Other support budget is interest income of \$1,200 from the Utah Public Treasurers Fund. The District received grant money from the Community Impact Board to add a new water tank and to replace more water line. The District is still working on finding more water sources. The District anticipates a net loss in operations, but the loss is directly attributable to the depreciation expense and unforeseen expenses not covered under grant money.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our community and customers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Secretary at P.O. Box 400010 Thompson Springs, Utah, 84540.

**THOMPSON SPECIAL SERVICE DISTRICT**  
**(A COMPONENT UNIT OF GRAND COUNTY)**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2005**

**BUSINESS-TYPE ACTIVITY**  
**ENTERPRISE FUND**

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**CULINARY WATER SYSTEM**

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**ASSETS**

**Current Assets:**

Cash and cash equivalents	\$ 70,914
Receivables:	
Accounts	1,932
Supplies inventory	498
Prepays	1,850
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Total current assets	\$ 75,194

**Noncurrent Assets:**

**Capital assets:**

Land	\$ 15,000
Buildings	12,000
Furniture and equipment	7,250
Waterline and improvements	500,000
Accumulated depreciation	(187,918)
Work in process	164,667
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Total noncurrent assets	510,999
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Total assets	\$ 586,193
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"See accountants' compilation report and accompanying notes."

**THOMPSON SPECIAL SERVICE DISTRICT**  
**(A COMPONENT UNIT OF GRAND COUNTY)**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2005**

**BUSINESS-TYPE ACTIVITY**  
**ENTERPRISE FUND**

**CULINARY WATER SYSTEM**

**LIABILITIES AND NET ASSETS**

**Current Liabilities:**

Payroll taxes payable	\$ 414
Customer deposits payable	850
Current portion of long-term debt	1,942

Total current liabilities	\$ 3,206
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**Noncurrent Liabilities:**

Long-term debt (less current portion)	\$ 70,764
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Total liabilities	\$ 73,970
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**Net Assets:**

Investment in capital assets, net of related debt	\$ 438,293
Reserved	8,450
Unreserved	65,480

Total net assets	\$ 512,223
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Total liabilities and net assets	\$ 586,193
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"See accountants' compilation report and accompanying notes."

**THOMPSON SPECIAL SERVICE DISTRICT**  
**(A COMPONENT UNIT OF GRAND COUNTY)**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	BUSINESS-TYPE ACTIVITY
	ENTERPRISE FUNDS
	<u>CULINARY WATER SYSTEM</u>
Operating Revenues:	
Charges for services	\$ 29,952
Load-out sales	6,132
Other revenue	3,675
	<hr/>
Total operating revenue	\$ 39,759
Operating Expenses:	
Administrative fees	\$ 9,720
Payroll taxes	817
Professional services	4,005
Office supplies	770
Utilities	938
Travel	379
Insurance	2,435
Depreciation	10,714
Bank charges	549
Chlorine/water samples	1,109
Vehicle expense	1,661
Supplies	520
Dues and subscriptions	215
	<hr/>
Total operating expenses	\$ 33,832
	<hr/>
Operating income/(loss)	\$ 5,927
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Non-operating Revenues (Expenses)	
Interest income	\$ 2,140
Interest expense	(4,238)
Grants	38,515
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Total non-operating revenues (expenses)	\$ 36,417
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Change in net assets	\$ 42,344
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Total net assets - January 1, 2005	469,879
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Total net assets - December 31, 2005	\$ 512,223
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"See accountants' compilation report and accompanying notes."

**THOMPSON SPECIAL SERVICE DISTRICT  
(A COMPONENT UNIT OF GRAND COUNTY)  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

Cash flows from operating activities:		
Cash received from customers	\$ 37,584	
Cash payments to suppliers for goods and services	(13,500)	
Cash payments to employees for services	<u>(9,237)</u>	
Net cash provided (used) by operating activities		\$ 14,847
Cash flows from capital and related financing activities:		
Principal paid on bonds	\$ (1,834)	
Interest paid on bonds	(4,238)	
Acquisition of capital assets	(54,444)	
Grants/other	<u>48,725</u>	
Net cash provided (used) by capital and related financing activities		(11,791)
Cash flow from investing activities:		
Interest on investments received	<u>\$ 2,140</u>	
Net cash provided by investing activities		<u>2,140</u>
Net increase (decrease) in cash and cash equivalents		\$ 5,196
Cash and cash equivalents at beginning of year		<u>65,718</u>
Cash and cash equivalents at end of year		<u>\$ 70,914</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED BY) OPERATING ACTIVITIES:		
Operating income (loss)		\$ 5,927
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	\$ 10,714	
Change in assets and liabilities:		
Increase in accounts receivable	(1,607)	
Decrease in customer deposits payable	(100)	
Decrease in payroll taxes liabilities	<u>(87)</u>	
Total adjustments		<u>8,920</u>
Net cash provided by operating activities		<u>\$ 14,847</u>

"See accountants' compilation report and accompanying notes."

**THOMPSON SPECIAL SERVICE DISTRICT  
(A COMPONENT UNIT OF GRAND COUNTY)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Thompson Special Service District was created as a special service district in the year 1987 by the Grand County Council pursuant to the terms and provisions of Utah Code Annotated, 1953, as amended, Utah Special Service District Act, Sections 11-23-1 to -29. The District operates under a board of trustees form of government and is a component unit of Grand County. The Board's authority is derived from the County Council, who has ultimate responsibility for the District.

The Board consists of five board members, each of whom are elected. The primary purpose of the District is to provide water services to those who reside within the District's service area. The accounting policies of Thompson Special Service District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management's Discussion and Analysis (MD&A) providing an analysis of the District's overall financial position and results of operations.

This and other changes are reflected in the accompanying financial statements (including notes to financial statements).

**A. Reporting Entity**

Thompson Special Service District is a special service district. The financial statements of the District cover all financial activities over which the District has oversight responsibility. The basis for inclusion or exclusion of other entities in the District's financial statements was based on the criteria set forth in the Governmental Accounting Standards Board (GASB) pronouncements. The basic criteria for including an entity, a board, or an agency in this report is the existence and exercise of oversight responsibility; consideration has been given to financial interdependency, ability to designate management, ability to significantly influence operation, and accountability for fiscal matters. According to the above criteria, no other entities, boards or agencies are required to be included in the District's financial statements.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-Wide Financial Statements**

The government-wide financial statements consist of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Fund Net Assets and the Statements of Cash Flows. The District is considered a special-purpose government engaged only in business-type activities. It is classified as a proprietary fund type and operates as an enterprise fund. Enterprise funds are used to account for the operations that are financed and operated in manner similar to private business enterprises, where the intent of the governing body is that its costs in providing goods and services to the general public on a continuing basis, be financed or recovered primarily through user charges. The function of the District is to provide culinary water services to the population, which lives within the district's boundaries. The financial statements of the District consist only of an enterprise fund and neither fiduciary funds nor component units that are fiduciary in nature are included.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Therefore, revenues are recognized in the accounting period in which they are earned and become measurable and expenses are recognized in the period incurred, if measurable.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government wide or proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for business-type activities, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first then unrestricted resources, as they are needed.

Amounts reported as charges for service include charges to customers or applicants for goods and services associated with culinary water.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales of culinary water services. Operating expenses for the District include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.



1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. **Budgeting**

The District follows the budgetary practices and procedures required by State Law. These requirements are summarized as follows:

1. The District adopts a formal budget.
2. The budget is a complete financial plan, which identifies all estimated revenues and all appropriations for expenditures for the year.
3. On or before November 1st, the District Manager prepares a tentative budget and files it with the Board.
4. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
5. Notice of the scheduled public hearings is published at least ten days prior to the meetings.
6. Public hearings are held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the Board.
7. The Board considers the comments made by the public and makes final adjustments to the budget.
8. By December 31st, the Board adopts the budget by resolution. A copy of the budget is certified by the County Auditor and is filed with the State Auditor within thirty days of adoption. A certified copy of the budget is available for public inspection.
9. The budget may be amended to reflect changes in circumstances, which occur during the year.

E. **Capital Assets**

Capital assets, which include land, buildings, furniture and equipment, and water line and improvements, are reported in the government-wide financial statements. Capital assets are defined by the District as those assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Buildings, furniture and equipment, and water line and improvements of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40 years
Furniture and equipment	4-20 years
Waterline	50 years

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF).

Investments are reported at fair value. The PTIF's reported value is basically the same as the fair value of the Fund's shares.

**G. Accounts Receivables**

Accounts receivable arise from charges to individual District customers billed and uncollected at the end of the fiscal year for culinary water services.

**H. Inventories and Prepaids**

Inventory of supplies maintained by the District is stated at cost. The inventory consists of pipes, fittings and parts used in the operation of the District. Inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

**2. DEPOSITS AND INVESTMENTS**

The District's deposits and investments are governed by the Utah Money Management Act (Utah Code, Title 51, Chapter 7) and rules of the State of Utah Money Management Council.

The District follows the requirements of the Utah Money Management Act (the Act) in handling its depository and investment transactions. The Act requires the depositing of district funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

***Custodial Credit Risk***

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At December 31, 2005, the District's bank balance of cash on deposit was \$1,853; of this amount, all is covered by Federal depository insurance.

## **2. DEPOSITS AND INVESTMENTS (Continued)**

### **Investments**

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, and Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

2. **DEPOSITS AND INVESTMENTS (Continued)**

As of December 31, 2005, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 67,457	\$ 67,457			
Total Investments	\$ 67,457	\$ 67,457	\$ ...	\$ ...	\$ ...

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages this risk in part by investing in the Utah Public Treasurers Investment Fund. The District's policy to manages its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has not adopted a formal policy with regards to credit risk on investments but the District informally follows the policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

### 3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 15,000			\$ 15,000
Work in progress	<u>120,433</u>	<u>\$ 44,234</u>		<u>164,667</u>
Total assets not being depreciated	<u>\$ 135,433</u>	<u>\$ 44,234</u>	<u>\$ ...</u>	<u>\$ 179,667</u>
Capital assets being depreciated:				
Buildings	\$ 12,000			\$ 12,000
Furniture and equipment	7,250			7,250
Waterline	<u>500,000</u>			<u>500,000</u>
Total assets being depreciated	<u>\$ 519,250</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ 519,250</u>
Less accumulated depreciation for:				
Buildings	\$ 5,100	\$ 300		\$ 5,400
Furniture and equipment	4,146	414		4,560
Waterline	<u>167,958</u>	<u>10,000</u>		<u>177,958</u>
Total accumulated depreciation	<u>\$ 177,204</u>	<u>\$ 10,714</u>	<u>\$ ...</u>	<u>\$ 187,918</u>
Total capital assets, being depreciated, net	<u>\$ 342,046</u>	<u>\$ (10,714)</u>	<u>\$ ...</u>	<u>\$ 331,332</u>
Business-type activities capital assets, net	<u>\$ 477,479</u>	<u>\$ 33,520</u>	<u>\$ ...</u>	<u>\$ 510,999</u>

#### 4. LONG-TERM DEBT

The District obtained a loan from USDA Rural Development on July 22, 1988. The loan payments of \$506 are due monthly at an interest rate of 5.75%. The funds were used to enhance the water distribution system for the District. The repayment schedule is as follows:

Year Ending December 31,	Business-Type Activities		
	Interest	Principal	Total
2006	\$ 4,130	\$ 1,942	\$ 6,072
2007	4,015	2,057	6,072
2008	3,894	2,178	6,072
2009	3,765	2,307	6,072
2010-2014	16,616	13,744	30,360
2015-2019	12,050	18,310	30,360
2020-2024	5,968	24,392	30,360
2025-2026	320	7,776	8,096
	<u>\$ 50,758</u>	<u>\$ 72,706</u>	<u>\$ 123,464</u>

#### Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities:</b>					
Notes payable:					
USDA Rural Development					
Loan	<u>\$ 74,540</u>	<u>\$ ...</u>	<u>\$ (1,834)</u>	<u>\$ 72,706</u>	<u>\$ 1,942</u>

5. **ACCOUNTS RECEIVABLE**

Accounts receivable include the accrued amounts for customers that have been billed for services at the end of December 31, 2005, but have not made their payment until the following year.

For the year ended December 31, 2005, an allowance for doubtful accounts has not been recorded in the books.

6. **BUDGET VARIANCES**

During the year ended December 31, 2005, the District did not overspend their budget in the Enterprise Fund.

7. **PENSION PLAN**

During the year ended December 31, 2005, the District did not have a retirement plan in force.